

Deconstructing Construction

Utah's economy is not in recession, nor do I think that it will drop into one in 2008. But there is little doubt that its residential construction industry looks like it is in one. This means that the industry is losing jobs, and will continue to lose jobs. That, in its simplest form, is what I mean by a recession.

Over the past three years, this industry was the high-flying, unchallenged job-growth leader in the state. Even as recently as six months ago, it was growing at 10 percent. But what a difference six months can make! Since then, the rules of the mortgage market have changed, and large numbers of would-be home buyers are being shut out of the market. Utah home prices need to come down before these buyers can be active once again.

In the meantime, the construction industry will bear the brunt of the job losses from this housing correction. To give it some perspective, permits for new home construction by December 2007 were 70 percent lower than observed at the same period in 2006. That basically means that a lot of new homes are not being built. That, in turn, means fewer construction workers are needed, which means construction workers will lose their jobs. If those permits don't rebound anytime soon, then more construction workers will lose their jobs. ■



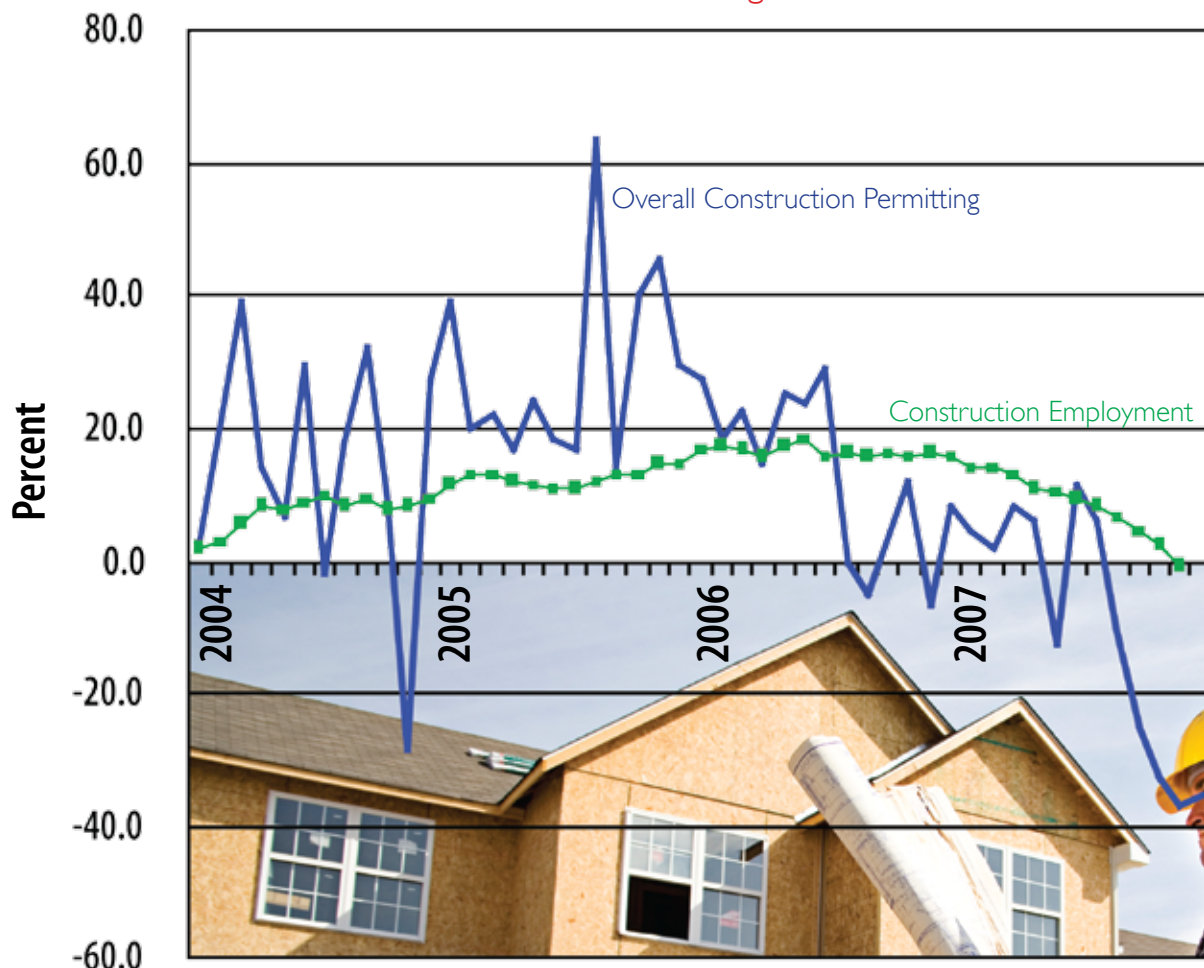
did you know...

- Utah's job growth declined in February to 2.3 percent, mirroring the nation's downward trend in employment growth. <http://deseretnews.com/article/content/mobile/0,5223,695262736,00.html>
- The Church of Jesus Christ of Latter-day Saints has completed demolition of the Crossroads Plaza Mall and most other buildings on 20

acres in the heart of downtown Salt Lake City. http://www.sltrib.com/business/ci_8580457

- Sephora—a company that sells makeup, skin-care, hair and bath products—is opening a distribution center in Salt Lake City, creating 500 jobs. <http://deseretnews.com/article/content/mobile/0,5223,695262460,00.html>

Utah Overall Construction Permitting* and Construction Employment Year-Over Percent Change 2004—2007



*Overall includes residential and nonresidential valuation.

Sources: Bureau of Economic and Business Research, University of Utah; Utah Department of Workforce Services